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Hilton Worldwide Holdings, Inc. (HLT)

Q2 2019 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to the Hilton Worldwide Second Quarter 2019 Earnings Conference Call. All participants will be in a listen-only mode. [Operator Instructions] Please note that this event is being recorded.

I would now like to turn the conference over to Jill Slattery, Vice President, Investor Relations. Please go ahead.

Jill Slattery

Vice President & Head of Investor Relations, Hilton Worldwide Holdings, Inc.

Thank you, Chad. Welcome to Hilton's second quarter 2019 earnings call. Before we begin, we would like to remind you that our discussions this morning will include forward-looking statements.

Actual results could differ materially from those indicated in the forward-looking statements. And forward-looking statements made today speak only to our expectations as of today. We undertake no obligation to publicly update or revise these statements.

For a discussion of some of the factors that could cause actual results to differ, please see the Risk Factors section of our most-recently filed Form 10-K. In addition, we will refer to certain non-GAAP financial measures on this call.

You can find reconciliations of non-GAAP to GAAP financial measures discussed in today's call in our earnings press release and on our website at ir.Hilton.com.

This morning, Chris Nassetta, our President and Chief Executive Officer, will provide an overview of the current operating environment and the company's outlook. Kevin Jacobs, our Executive Vice President and Chief Financial Officer, will then review our second quarter results and provide an update on our expectations for the year. Following their remarks, we'll be happy to take your questions.

And with that, I am pleased to turn the call over to Chris.

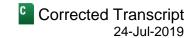
Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Thank you, Jill. Good morning, everyone, and thanks for joining us today. We're happy to report another quarter of great results, that further demonstrates the strength of our business model and the power of our network effect. Solid net unit growth continued to drive strong bottom line performance, with adjusted EBITDA and EPS exceeding our expectations. Additionally, RevPAR growth outperformed the industry weighted to our chain scales for the sixth consecutive quarter, illustrating that our 17 distinct brands, award-winning loyalty program and exceptional customer experience continue to drive robust market share gains. Overall, our system-wide RevPAR index increased 230 basis points year-to-date, with gains across all regions and all brands.

System-wide RevPAR grew 1.4% in the second quarter, largely in line with our expectations as our market share gains offset broader choppiness in the U.S. and Asia Pacific. Transient RevPAR increased 1.6% on steady business trends and good leisure demand, boosted by the Easter holiday shifts. As expected, calendar shifts contributed to softer group performance in the quarter.

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Turning to our outlook, forecasts for GDP, non-residential fixed investment and corporate profit growth remain positive, but incrementally a bit lower than previous estimates. Consistent with these trends, we're modestly adjusting our full-year RevPAR guidance to 1% to 2%. Overall, we expect the second half of the year to be similar to the first half, with consistent U.S. RevPAR growth and slightly softer international RevPAR growth. We expect continued healthy group business towards the midpoint to high end of our system-wide range, and steady business in leisure transient towards the midpoint of our range. Even with slightly lower top-line growth forecasts, we're increasing our adjusted EBITDA guidance for the year, given the significant contribution of net unit growth and strength in other areas of the business.

Longer-term, we remain confident in our ability to deliver growth ahead of the broader industry, as we differentiate ourselves within the lodging space. With an efficient capital-light business model and a disciplined strategy, we continue to fulfill our mission to deliver exceptional experiences at every hotel, for every guest, every time. Our innovative technology platforms, unique product offerings, and award-winning culture allow us to execute this strategy, delivering incremental value to our guests, our owners and our shareholders.

The strength of our brand portfolio continues to drive owner profitability and, therefore, greater owner interest. Of the more than 450 hotels we opened in 2018, roughly 75% have already reached a RevPAR index of 100 or greater, with those hotels reaching fair market share within just four months of opening, on average.

For the full year, we remain on track for record signings, construction starts and openings. Forecasted signings of more than 110,000 rooms in 2019 would mark our ninth consecutive year of record signings. This supports continued growth in our development pipeline, which we expect to increase in the low to mid single digits for the full year. Our current pipeline totals approximately 373,000 rooms, or over 40% of our existing base.

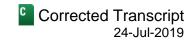
Given the strength of our system, we continue to deliver solid growth with de minimis use of our capital. More than 90% of our deals do not require any capital from us, which drives higher net fees. Year-to-date, we've added more than 200 hotels, totaling 29,000 rooms, to our system and continue to expect to deliver 6.5% net unit growth for the full year.

Overall, we believe the greatest development opportunity lies in the mid-market, given strong secular trends globally driven by an emerging middle class. We think we are very well-positioned to continue delivering impressive growth in the focused service segment, given our industry-leading RevPAR index premiums. During 2019, we expect to celebrate the openings of our 100th Tru hotel, our 500th Homewood Suites, our 850th Hilton Garden Inn and our 2,500th Hampton, demonstrating continued strength across both new and legacy brands. Additionally, our new Hilton Garden Inn prototype, designed to better meet the needs of our Chinese guests and owners, is gaining great momentum and further fueling growth in Asia Pacific.

We also continue to see impressive momentum in luxury, as we execute on an exciting development strategy for the segment. With forecast to grow our luxury portfolio by over 15% this year, we're on track to deliver more luxury properties in 2019 than any previous year in our 100 year history. Year-to-date, we've opened four properties, including the highly-anticipated Waldorf Astoria Maldives earlier this month. Additionally, the Waldorf Astoria Dubai Financial Centre opened its doors just a few weeks ago, joining three other Waldorf properties open in the Middle East, with an additional three in the pipeline.

In the quarter, we made several exciting announcements that will continue to further development growth, including the signing of our first Tapestry in the Caribbean, our first Canopy in Africa, and the Waldorf Astoria Los Cabos Pedregal in Mexico, which we expect to open later this year. We were also thrilled to reopen the historic Caribe Hilton in Puerto Rico, following extensive renovations after damage from Hurricane Maria.

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The breadth of our development strategies, spanning all regions and brand segments, should position us to drive net unit growth for many years to come. With rooms under construction accounting for more than half of our total pipeline, we have solid visibility into our growth over the next few years. And with favorable secular trends, continued strength in signings and conversions and no significant brand repositionings, we feel very good about our net unit growth over the long-term.

Our industry-leading portfolio is anchored by our award-winning Hilton Honors program. An integral part of the overall value proposition to guests, Honors occupancy increased nearly 500 basis points in the quarter, to 63%. We now have more than 94 million members, up more than 20% year-over-year, with meaningful increases in engagement. Active members account for more than half of our global members. We're also gaining greater share of wallet from our most loyal guests, with the number of elite members up 25% year-over-year in the second quarter, and those members reaching 100 nights up nearly 60% versus the same period last year.

We're always looking for ways to better connect with our Honors members and provide increased flexibility in earning and redeeming points. With that in mind, we were thrilled to announce a first of its kind travel and hospitality partnership with ride-share leader Lyft. Members can now earn Honors points when they ride with Lyft. And they will have the ability to redeem points in the coming months. Whether it's our partnerships with leaders such as Lyft, Amazon and Live Nation, or on-property initiatives like Connected Room, we're continually evolving to enable our members to get the most out of the Honors program.

We recently celebrated our 100th anniversary, which is a milestone few companies achieve, let alone with the momentum that we have. Throughout our history, we've introduced numerous innovations, pioneered new travel markets and provided a wide range of career opportunities for our team members. We're very proud of all we've accomplished over this last century and look forward to continuing to positively influence the world around us in the next century.

Overall, with a resilient business model, positive industry growth, a good strategy and a disciplined approach to capital allocation, we think we're very well-positioned for the future.

With that, I'm going to turn the call over to Kevin to give some more details on our results and our outlook.

Kevin J. Jacobs

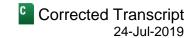
Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Thanks, Chris, and good morning, everyone. In the quarter, system-wide RevPAR grew 1.4% versus the prior year on a currency-neutral basis, largely in line with our expectations. As Chris mentioned, results benefited from market share gains, slightly offset by softer group business and slowing Chinese leisure demand. We estimate calendar shifts tempered system-wide RevPAR growth by roughly 500 (sic) [50] basis points.

Adjusted EBITDA of \$618 million exceeded the high end of our guidance range, increasing 11% year-over-year. Outperformance was largely driven by better-than-expected license fees and greater cost control. We estimate roughly \$10 million of the beat was due to timing items that will reverse in the back half of the year. In the quarter, management and franchise fees increased 8% to \$591 million, helped by strong net unit growth and other non-RevPAR-driven fees. Diluted earnings per share, adjusted for special items, grew 23% to \$1.06, ahead of expectations.

Turning to our regional performance and outlook, second quarter comparable U.S. RevPAR grew 1%, driven by increasing market share and solid leisure transient growth, while the Easter shift weighed on group business. For

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full year 2019, we forecast U.S. RevPAR growth in line with our system-wide guidance range based on positive, but modestly decelerating macro growth.

In the Americas outside the U.S., second quarter RevPAR grew 3.3% versus the prior year, largely due to strength across South America, which benefited from particularly robust transient demand in Brazil, despite challenging market conditions. For full year 2019, we expect RevPAR growth in the region to be 3% to 4%.

RevPAR in Europe grew 5% in the quarter, boosted by strong trends across Continental Europe and increased leisure demand in London, which benefited from the Cricket World Cup and rising international inbound travel due to favorable exchange rates. We expect full year 2019 RevPAR growth in Europe to be above the high end of our system-wide guidance range, given favorable trends across Continental Europe, modestly offset by continued uncertainty surrounding Brexit.

In the Middle East & Africa region, RevPAR was slightly positive in the quarter, helped by strong group performance during Ramadan. However, supply challenges across the UAE continued to mute leisure transient gains in Egypt, a trend we expect to continue in the back half of the year. For full-year 2019, we expect RevPAR growth in the region to be down in the low single digits.

In the Asia Pacific region, RevPAR increased 2% in the quarter, with a slight RevPAR decline in China, largely due to softening Chinese leisure travel demand, further pressured by the ongoing protests in Hong Kong. For full year 2019, we expect RevPAR growth for the region to be in line with system-wide guidance, with RevPAR in China relatively flat, reflecting softer performance in the quarter and a potential continuation of trends.

Turning to the balance sheet, during the quarter, we issued \$1 billion of senior notes and used \$500 million of the proceeds to partially repay our term loans as part of extending that facility for three additional years to 2026. We also amended our revolving credit facility, upsizing that facility to \$1.75 billion and reducing our borrowing rate. These financings lengthened our weighted average maturity by nearly two years at a negligible increase to our weighted average cost of debt.

Moving to guidance, for full year 2019, we expect RevPAR growth of 1% to 2% and adjusted EBITDA of \$2.28 billion to \$2.31 billion, representing a year-over-year increase of more than 9% at the midpoint. We forecast diluted EPS, adjusted for special items, of \$3.78 to \$3.85. For the third quarter, we expect system-wide RevPAR growth of 1% to 2%. We expect adjusted EBITDA of \$590 million to \$610 million and diluted EPS, adjusted for special items, of \$0.98 to \$1.03. Please note that our guidance ranges do not incorporate future share repurchases.

Moving on to capital return, we paid a cash dividend of \$0.15 per share during the second quarter, for a total of \$43 million in dividends. Our board also authorized a quarterly cash dividend of \$0.15 per share for the third quarter. Year-to-date, we have returned \$766 million to shareholders in the form of buybacks and dividends. For 2019, we expect to return between \$1.5 billion and \$1.8 billion to shareholders in the form of buybacks and dividends.

Further details on our second quarter results and our latest guidance ranges can be found in the earnings release we issued earlier this morning. This completes our prepared remarks. We would now like to open the line for any questions you may have. We would like to speak with all of you this morning, so we ask that you limit yourself to one question. Chad, can we have our first question, please?

QUESTION AND ANSWER SECTION

Operator: Sure. We will now begin the question-and-answer session. [Operator Instructions] First question today comes from Stephen Grambling with Goldman Sachs. Please go ahead.

Stephen Grambling

Analyst, Goldman Sachs & Co. LLC

Thanks. Good morning. Chris, you talked about the ongoing market share gains across segments. And it looks like you had particularly strong RevPAR in the high-end brands, as well as in some of the new brands. How are you anticipating the gains to translate to the pipeline from here? And are there any limitations on the absolute number of sign-ups as you expand? And I guess as a quick follow-up, are you seeing any shift in the development interest between existing owners versus new?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.



Yeah. Good question. And we're really pleased with the market share gains that we had. I guess it would be sort of skipping to the end and then I'll fill it in. And it would be hard to be perfectly scientific about translating market share gains into impact on pipeline. But, rest assured, as you talk to the owner community, what they're trying to do is drive profitability.

So the higher that our market share in an absolute sense is, the more that we can drive pipeline growth. So the nuance of that is growth in index is really important. And I think what's notable about it is that again, both in the first quarter, second quarter and year-to-date, the growth in index is across all brands and all regions. And importantly, as I mentioned a couple quarters ago, we would expect that our international regions will equal or exceed the index in an absolute sense that we have in the U.S., which is a wonderful harbinger of good things to come in terms of incremental growth around the world.

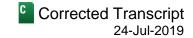
So that growth in index sort of being across the board regionally and by brand is important, but what's equally important is just the absolute market share. And I want to sort of pause on that for a moment because what owners are looking for, obviously, they want growth, but what they're looking for when they talk to us or any other brand is what is the market share of the brand. And so, they're looking at it in an absolute sense.

To use a simple example, if you have great market share growth off a very low base, that doesn't necessarily translate into higher pipeline. What translates into the best pipeline growth is highest absolute market share, with growth off of that.

And so, what I think we're most proud of, and it's not by happenstance, it's by strategy, is that we have 17 brands. Those that have been out and are regionally mature are either at the top of the heap or a category killer. There is no dog in the bunch. So, anytime we're talking to an owner, anywhere in the world, about any of our brands, all of the brands are performing at the highest level or above, which is a very good set of facts for our development teams to be talking to owners, as we're working to increase the pipeline.

So again, I don't have an algorithm that says if we grow share 230 bps, it will translate into this much incremental pipeline growth. But, rest assured, there is a very direct connection. And I think the market share trends of growth, but equally or more importantly, the absolute high level of market share across our brand portfolio is going to allow us, we think, to continue to build the pipeline, build our rooms under construction and ultimately have

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industry-leading net unit growth, because it will continue to attract more capital, because they will be able to make more profit by investing in better performing brands.

Stephen Grambling

Analyst, Goldman Sachs & Co. LLC

Fair enough. And then, you had mentioned in your remarks some of the partnerships you've made with the loyalty program. As folks are redeeming or are earning points and burning points through some of those, should we generally be thinking of those redemptions as being accretive to the system fund and, therefore, allowing you to reinvest more and kind of drive that flywheel from a loyalty standpoint? And what are the biggest opportunities, I quess, from a reinvestment that you see?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Well, I think, I mean, there are a couple of things. I think the answer is yes, on the margin. Most of those partnerships involve – not all, but most of them involve the partner, like in the case of Lyft, buying points in order to provide points when people are riding in Lyft, which means it is creating incremental opportunity for flywheel and reinvestment.

I think the other way, and this is really important when you think about our engagement numbers, which are twice what they were off a much larger base. If you go back six or seven years ago, I think consistent with a lot of others in the industry, our engagement numbers of our loyalty members was probably half of what it is, 25%, 30%. We're now over 50%. Well, why is that? Well, there's a whole bunch of elements to it, but part of that is getting more engagement out of your high-level customers, but let's be honest. You mostly have those people engaged. If they're staying with you 100 or 200 nights a year, they're active and they're engaged.

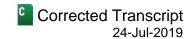
What it's been about is more getting lower level members of Honors engaged. And while they may not stay as much – they may stay 2, 3, 5 nights a year and not 100, that's business, right? And that's important business. And the more that that can be a direct source of business, rather than indirect, obviously, it adds to our RevPAR premiums and it does so in an incrementally efficient way in terms of distribution cost. So one of the things we've been very focused on in addition to hitting the highest level of loyalty, which you heard about some what I think are pretty astounding statistics of incremental engagement at the high levels, is getting lower level engagement.

And so, when you think about our Points & Money slider, when you think about our: we're the only ones that have done shop with Amazon points; opportunities for points pooling; Lyft; the things that we're doing – I don't want to get ahead of us – with Live Nation in terms of ability to use points in a broader context in terms of music opportunities. Those are not just about flywheel and selling points and getting more money in the system. Those are about getting lower level members who don't accumulate potentially enough points to go to the Maldives for a week, to get engaged with us because here's the thing we know.

The more engagement, the more share of wallet we get. The more that people are using their points and doing things with it that get them active in our system that get them in our app and get them thinking about us, the more they spend with us every deal. It can be proven scientifically.

And so the engagement numbers, in part, are as good as they are because of a bunch of these partnerships. You will continue to see more of this from us, both for higher level members and lower level members. And it will, as I said, provide a bit of the flywheel that you're describing. But I think really what it's focused on is getting greater engagement from our customer base and having more direct relationships.

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Analyst, Goldman Sachs & Co. LLC

Super helpful color, thanks so much.

Operator: The next question comes from Harry Curtis with Instinct. Please go ahead.

Harry C. Curtis

Analyst, Nomura Instinet LLC

Hey. Good morning, everybody.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Morning.

Harry C. Curtis

Analyst, Nomura Instinet LLC

Chris, I wanted to focus on some of the factors affecting 2020. This is kind of like putting your projection hat on. As you talk to fellow CEOs in the last couple of quarters, we've talked about their level of spend kind of being put on hold, at least temporarily, because of trade. And to what degree is your guidance, at least for the back half of this year and in terms of your expectations for next year, affected by that? And not only that, but also the political uncertainty, do you think that there's any of that impacting CEO's willingness to spend today?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

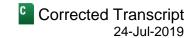
Well, answering the second part first, I think the obvious answer is yes. I mean, not just sort of looking at it scientifically, but sort of subjectively talking to other CEOs, just talking to friends, anybody you talk to, what's going on in the political world, which is connected to the trade world, which is connected to a whole bunch of other things, is definitely, I think, having some impact.

I think I've said this before. I think it means that more people have put a caution flag out. It doesn't mean that they're not doing things, they're not spending, they're not hiring, they're not traveling. It just means they're a little bit more – they're incrementally more cautious because of what's going on in the broader environment. And I think that's absolutely going on.

Having said that, again it's a caution flag. I would say what I have not seen is like the red flag, which is like all stop. I think people are still quietly sort of reasonably optimistic. I think they are carrying ahead. And our expectation for the second half of the year – and I'll try and answer your 2020 question, although it's way early and it's super subjective at this point. But for the second half of the year, I think our view, as we looked at our forecast, was more of the same. Like there doesn't seem like – I mean, maybe the work in China this week will be fruitful. I suspect sometime this year, my own personal opinion is there will be a trade deal with China that will settle some of those things down. Time will tell. It certainly will, I think, help with our business in China, but time will tell.

But there are others swirling activities with the political theater ramping up with a 2020 election coming. So what we anticipated for the second half of the year, honestly, is more of the same trends. The reason we brought the high-end of our guidance down was when we were talking to you a quarter or two quarters ago, honestly, comps

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are a bit easier in parts of the world. We thought, all things being equal, there was a really good opportunity to see things get a little bit better. And when we look at the world right now and sort of try and to do our best to forecast the rest of the year, we look at it and say, no, we don't. I think it'd be aggressive to say things are going to get better.

We think that what we've tried to do in the second half of the year is sort of take the more recent trends and project those out. That was a big lead-up to your answer to your primary question, which is 2020. I sort of think about we're way early. What do I know? But I think about 2020, and we have to because we're getting ready to go into budget season and all that fun stuff and start to get give guidance to our teams around the world, I would say my best intel, in talking to lots of CEOs and amongst a lot of folks around the world and our teams, is that I would project out the current trends into next year.

Now is that going to be what happens? Who knows, right? I mean, I think they could incrementally get a little better. They could incrementally get worse. I don't know. I think it's way early to judge. But if you, which you're doing, ask me the question today, how would I think about 2020 sitting here today? I would think about 2020 a lot like I'd think about the second half of this year, because I don't have enough intel to think otherwise.

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Analyst, Nomura Instinet LLC

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All right. I'll leave it at that. Thanks, everyone.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

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All right.

Operator: The next question comes from Shaun Kelley of Bank of America. Please go ahead.

Shaun C. Kelley

Analyst, Bank of America Merrill Lynch

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Hi. Good morning, everyone. Chris, maybe I just want to ask sort of a similar question, but directed more at unit growth. So, obviously, we saw some, a very modest, amount of sequential growth in the pipeline this quarter, but I think your overall view for the full year remains pretty steady for pipeline growth. Just what's the commentary out there from developers? And have you seen any of this corporate softness specifically impact what you're able to do on the signings, your conversion rate or how quickly people are willing to sign deals? And just what's the activity level out there and what you're able to do from a unit growth perspective?

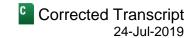
Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.



Yeah. A great, great question, and I'll follow on maybe to answer a little bit more of Harry's question as well. I mean, the short answer is no. We have not seen anywhere in the world, at this point, sort of a deceleration in the trends on new units in terms of signing. Excuse me, in fact, in terms of starts, we expect both in the U.S. and globally for starts to be up. So, our development community, even though if you look at it scientifically, it says the debt markets are tightening a little bit. What our experience would tell us real-time is our developers are getting financing more easily. They are getting more done, so none of the caution flags that I described are in the operating environment, we see yet in the development environment.

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Now, depending on what goes on with the economy, it would stand to reason if you have a protracted period of time where there's a lot of uncertainty, it eventually would seep through. I mean it would sort of be disingenuous to say otherwise. But we're not seeing it, in reality, as I said, is our starts are going to be up this year and going to set new records, in addition to signings in new unit growth.

So, given that we've got a huge pipeline representing 40% of the base, given that we have a very good track record in delivering conversions and more brands to do that, given that more than half of the pipeline is already under construction, I think, as I said briefly in my prepared comments, I think we have very good visibility into the next few years, and I feel very good about our ability to continue to deliver NUG.

Now, sort of a follow-on to Harry's comment, which I'd be remiss in not saying and I knew I'd be given the opportunity to do it, so thank you, Shaun. Reality is even in an environment where you have reasonably low – some might say anemic same-store growth, 1% to 2%, we're growing our EBITDA 9% or 10%, right? And why is that? Because the bulk of the growth in the business for us is really new unit growth and other things like license fees and co-brand. And those are performing well, and we expect those will continue to perform well.

So, even in a world where we're increasing our guidance, at the same time, we took the top end down because the core things that are really driving our growth are performing very well. As I think about next year, it's way early to get into it. But even in a lower growth same-store environment, we will do the same thing. I think we will deliver net unit growth comparable to what we're doing this year. And we will deliver a comparable kind of result, because the business model in a post-spin world really is as resilient as we have been saying it is. And hopefully quarter-by-quarter, as we deliver these results, in an environment that has been more choppy and where same-store growth has been weaker, but yet we deliver very strong bottom-line results, that people will start to recognize that and understand that the business is resilient. And we, if we run the business well, which we intend to do, can continue to do that.

Shaun C. Kelley Analyst, Bank of America Merrill Lynch	C
Thank you very much.	

Operator: The next question comes from Thomas Allen of Morgan Stanley. Please go ahead.

Analyst, Morgan Stanley & Co. LLC

Hey, good morning. So on Tru, I remember when you announced the brand at the beginning of 2016. And it's impressive that you now going to open your 100th hotel this year. As you do more and more work around new

impressive that you now going to open your 100th hotel this year. As you do more and more work around new brands, do you think there are any other opportunities that could come to a similar size?

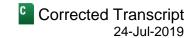
Christopher J. Nassetta President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Well, there are definitely other opportunities. We've launched three brands in pretty much the last year. We have a couple of things I'll talk about sort of in the skunkworks, one much more advanced than the other.

Tru is a mega brand in the sense, and I've said this many times on this call and when we announced it, I think it will be our largest brand in the world when it's all said and done. Hampton is today at 2,500 hotels.

Thomas G. Allen

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Reality is Tru is serving a much bigger segment of demand, both here in the U.S. and around the world. And while it will take decades to get it there, and that's the beauty of it, is like no investment from us, decades of growth, sort of built in growth, Tru ultimately has the opportunity to be even much bigger than Hampton.

So given it's serving the largest segment of demand, there are brands and one in particular I'll talk about that I think are mega brands, meaning they are hundreds, potentially over a long period of time, thousands of hotels.

But probably none equivalent to Tru, to be perfectly honest, just because it's serving 35%, 40% of all demand and is the biggest segment. There are a couple of things that we're working on, both in the lifestyle space.

One, which I think is a very large scale opportunity on a global basis, which I would say is sort of upscale lifestyle, like I would describe as sort of a click above Hilton Garden Inn for a more urban or mixed-use sort of higher-end development opportunity.

I do think that that brand has a huge amount of potential in terms of hundreds and hundreds and hundreds of hotels around the world. We have already soft launched it with our development community.

The reception, which we would typically do before a public launch, the reception has been spectacular. We will probably hard launch that sometime in the next six months, just as we refine the product and service delivery and bring a number of development deals to the table.

The other one that we are working on that's, I would say, more in the skunkworks, less imminent is luxury lifestyle. We've talked about it for a better part of a decade.

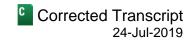
We will eventually want and be in that space. But we've been trying to focus on some of these other opportunities that we think, as we talk to our customers, will drive more engagement, more loyalty and sort of help feed the network effect at a larger scale.

But we will eventually get to that. So, we are not going to be launching three brands every year, to be clear. I think in the next year, we'll probably do one; luxury lifestyle, at some point in the next couple of years.

And I'd be remiss in not making this statement. Given that we are in our early days of propagating the breadth and depth of our brands around the world, with the list that we have and the two extra, that'd be 19 brands. That is plenty of brand bandwidth for us to keep growing indefinitely, particularly given that we are just getting started with some of these brands in many destinations around the world.

Thomas G. Allen Analyst, Morgan Stanley & Co. LLC	Q
Helpful. Thank you. And then, just to challenge you a little bit on the U.S. RevPAR comment. So if we look a corporate confidence	t
Christopher J. Nassetta President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.	A
Which comment?	
Thomas G. Allen Analyst Morran Stanley & Co. LLC	Q

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Just on the outlook of consistent U.S. RevPAR growth. I mean, corporate confidence keeps on deteriorating. The STR data showed that June was the weakest month of RevPAR growth we've seen all year. So it feels like RevPAR growth in the U.S. is deteriorating when you guys are expecting it to be consistent. Can we just reconcile those two things? Like are you seeing stronger group bookings or production or just talk to it a bit. Thanks.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

A

I would say two things going on really simply and we'll see whether we're right, but I think they're logical. One, particularly third quarter, has a very strong group base. So, we were sort of leveraging off of that. The second thing is the comps are easier, right? So part of the reason that we thought it would be better was that the comps were easier in the U.S., for a whole bunch of reasons, in the second half of the year. So, we sort of wiped that out.

So between comps being easier and a very strong Q3 group base, with most of it already on the books, we feel like the outcome will be very similar. It may be a tick off. I mean, I'm rounding. It may be a tenth or two-tenths off of what we've delivered year-to-date, but we think it will be in that time zone.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

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Yeah. And, Thomas, to June, we also swapped a Sunday for a Friday in June this year, which I think has been sort of talked about in people evaluating the STR numbers.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

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Yes.

Kevin J. Jacobs



Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

So you can look at June and see a little bit of an anomaly.

Christopher J. Nassetta

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President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

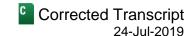
Yeah. April was not that great and June, but May was really strong. So, yeah, I wouldn't read too much into June. I mean, on the other hand, we are definitely saying, by bringing our guidance down at the top end overall from a same-store point of view, that we think the world has — and I said it in my comments, the world is incrementally a little bit weaker. So, we're not debating that with you. We just, as we look at forecasts in a granular way by property, given the factors that I just described, we think it's going to be similar to what we saw in the U.S. in the first half of the year.

It's definitely going to be lower in the international, if for no other reason – I mean, we had a very strong Europe first half of the year, Continental Europe which we still think will be outperforming the rest of the world, but won't be outperforming as much. And then, China, in particular, which is driving APAC, Japan will still be, but China is clearly going to be worse in the second half of the year than the first. And so international will be, on average, less in the second half than the first half, we're pretty confident.

Thomas G. Allen

Analyst, Morgan Stanley & Co. LLC

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Really helpful	color.	Thank	you.
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Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

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Okay.

Operator: The next question comes from Joe Greff of JPMorgan. Please go ahead.

Joseph Greff

Q

Analyst, JPMorgan Securities LLC

Good morning, everybody. One question related to the hotel development, the pipeline. Chris or Kevin, can you give us a sense of maybe what hotel developers are underwriting to in terms of an IRR now, say, versus a year or two ago, maybe you can look at it U.S. versus China? And then, with respect to signings, to what extent are you getting increased requests for Hilton capital to be involved? Thank you.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

A

Yeah. So, I don't think people are underwriting dramatically different IRRs than they were a year or two ago. I think where people sort of look to change their underwriting is what are risk-adjusted returns relative to a risk-free rate. And the risk-free rate has moved around a little bit, but hasn't been all that different. So I personally don't think people are underwriting to different returns. I think they're adjusting their expectations of what their underwriting is going to be going forward and so you see that a little bit in terms of the transaction market for existing assets, that affects pricing. But in terms of what people are looking for to take development risk, that's been really consistent. And then, sorry, the second question?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

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Key money....

Kevin J. Jacobs

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Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Oh, key money, yes, look I mean, I think, you've seen the contract acquisition cost line go up a little bit, which is completely normal for late-cycle behavior. When you get later in the cycle, deals get a little bit harder to come together, one. Two, there are more luxury deals that pencil later in the cycle than earlier in the cycle. Those at the higher end tend to be the deals that require key money. But that's on the margin. And I think overall, the number of deals in our pipeline that have any contribution from us has remained largely consistent. So over the last two years, that number is about 10% of the deals in the pipeline have had any contribution from us. And that number, that percentage has been pretty consistent for a while.

Joseph Greff

Analyst, JPMorgan Securities LLC

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Thank you.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

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Sure.

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Operator: The next question will be from Carlo Santarelli with Deutsche Bank. Please go ahead.

Carlo Santarelli

Analyst, Deutsche Bank Securities, Inc.

Hey, guys. Just one quick one and then a quick follow-up, just in terms of as you guys are thinking about the second half of this year, Chris, how much is the U.S. economic activity driving kind of your outlook versus the forward pace that you're kind of looking at right now? And then just more broadly, obviously, you guys raised your capital return guidance for 2019 in the period. As you think about buyback activity right now, have you altered your strategy or stance on capital returns looking ahead at all?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

I'll let Kevin take the second. I'll take the first. The short answer is as we look at our forecasting, as implied in my prior comment, it's done on a very granular basis. So, yes, I mean, we have a view of what's going on in the economy. We have a view of whether it's going to go up, down or sideways. I sort of gave you our view for the moment is sideways. But the bulk of our forecasting, with some sort of overlay, is really based on property-by-property analysis and looking at the pace of the business and the bookings and looking at what we need to fill that would not already be on the books and making an assessment of what we think the probability of being able to do that is. So I would say it is a much heavier degree of looking at our forward pace and position than it is just a broad overview of here's what we think the economy is.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Yes.

Carlo Santarelli

Analyst, Deutsche Bank Securities, Inc.

Great. Thank you.

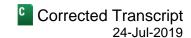
Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

And then, Carlo, on capital return, the short answer is no. We have not changed our outlook on capital return. I think what you're seeing in the range is we're a little bit deeper into the year. Our EBITDA outlook is a little bit higher and so solving for the midpoint of our, sort of, stated leverage range gets you to a little bit higher midpoint. And we're halfway through the year, so we're tightening the range. And I think the way to think about it is the way we've always thought about it, which is we like the stock almost at any price.

We like the outlook for the business model and the returns that we could drive by buying back the stock. And so, the combination of a modest dividend and then buybacks that are going to be – think about recurring free cash flow plus releveraging is coming back, no matter what. And we're kind of giving you a range of outcomes that could vary depending on how we think the outlook is for the business and the price will vary it a little bit within the range, but largely we think about capital return in a really consistent way.

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Carlo	Santarel	lli
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Analyst, Deutsche Bank Securities, Inc.

Great. Thank you both.

Operator: The next question comes from Anthony Powell with Barclays. Please go ahead.

Anthony F. Powell

Analyst, Barclays Capital, Inc.

Hello. Good morning. I want to focus a bit more in China. You mentioned slower leisure demand there a few times. Is the demand different in the tier 1 cities in high-end resorts compared to the more moderate tiers or is the slowdown pretty broad-based? And maybe some more detail on corporate and government and leisure will be great.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Yeah. So think, look, I think, Anthony, it's been pretty consistent across the board in China. I mean, over half the business is leisure-driven in China, and 90% of it's driven in-country. So when you see their economy slowing the way it is and them sort of pulling back the reins a little bit on spending, you're going to see that flow through to our business. And so, but we really haven't seen – you're not seeing sort of the business dramatically constricting and the food and beverage being limited the way it had been a couple of years ago. I think it's really broadly driven by leisure.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Business has held up in the group, which is a much smaller part of the business there than it is here, has actually held up much better than leisure. And the other thing, not to be a Pollyanna, because, as I said, we have assumed the current trends continue in China. That's what's built into the forecast, recognizing we've been through this in China before. To the extent that a trade deal is met, Chinese leisure consumer, more than anywhere in the world I've seen, can flip around pretty quickly.

Now, at this point, this thing's been going on long enough where we said, we can't forecast that. The reality is if a trade deal is done, I mean, it will take some time to sort of flip it around and get them back traveling, but I think there is an opportunity for that to happen and for that to be a bit of potential upside, at least later in the year. But again, who knows? Teams are going next week and it is impossible to know what the result of that will be at this point. So we've just assumed that that doesn't happen.

Anthony F. Powell

Analyst, Barclays Capital, Inc.

All right. Thank you.

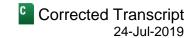
Operator: The next question will be from Robin Farley of UBS. Please go ahead.

Robin M. Farley

Analyst, UBS Securities LLC



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Great. I think a lot of my questions have been addressed already. But I did notice that your franchise RevPAR grew better than managed RevPAR in the quarter and it's just a little bit different than the overall U.S. trends and wondering if there's anything to call out there.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

No, I don't think there's anything there, Robin. I think that I'm actually not sure what number you're looking at, but I mean at the higher end, RevPAR actually performed stronger than at the lower end in terms of brands, so nothing to call out there.

Robin M. Farley

Analyst, UBS Securities LLC

I was looking at your franchise of 1.6% and managed hotels of 1.3%, and that the limited service tend to be more franchise and managed would tend to be more full service. And that that's a little bit different than what we see with...

Kevin J. Jacobs

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Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Not necessarily. That's not necessarily the case in the U.S., so I think that's probably what you're seeing there is we actually do have a higher level of franchised full-service hotels in the U.S. So there's nothing to extrapolate there.

Robin M. Farley

Analyst, UBS Securities LLC



Okay. Great. Thank you.

Operator: Our next question is from Bill Crow of Raymond James. Please go ahead.

William A. Crow

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Analyst, Raymond James & Associates, Inc.

Hey, good morning. Chris, I got a two-parter on capital and capital commitments. And the first one really goes back to your press release over the past week about growing your luxury brand and the footprint. And it seems to me that with 94 million Honors members and the engagement statistics and all the positive momentum you have there, it's a dramatic mismatch with the really limited number of luxury options they have to use their points. And I'm just wondering why it took so long to kind of reinvigorate the growth in luxury and whether you've thought about putting more of your own capital in to get a quicker growth in that segment.

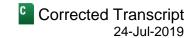
Christopher J. Nassetta

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President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

I appreciate the question. I read your note on Sunday, Bill. I don't agree with it entirely. But here's what I would say. The press release was obviously about sort of pounding our chest about a bunch of cool new hotels that are opening up. Since the day I walked in the door of this company 12 years ago, we have been focused on luxury. This isn't something that we finally, as you described, not me, we finally decided to focus on luxury. It takes a long time to make any of these deals happen. And so, we've been very focused on it for two fundamental reasons.

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The first is some of our customers want it, right? I mean, a lot of our – at different times. The second is for loyalty to have it in the system from an aspirational point of view, we think is important. So we spend a lot of time on it. What I would say objectively is we've made incredible progress. We went from basically nothing 10 or 12 years ago to having opened or in the pipeline 110 incredible luxury hotels. I'd say at this point, while we have a lot more we want to do, we have captured most of the most important urban and resort markets. We do have some gaps. We're working very hard at filling those gaps. But we're making tremendous progress.

And yes, on occasion, we're using our balance sheet. If you look at the amount of sort of outstanding key money commitments we have, it would weight disproportionately to luxury for that very reason. But I would say – and you said it, Bill, implied in your question, it obviously what we're doing is working, right? Because, I'd say, we have the market-leading statistics in loyalty. Not to be defensive, I mean, the growth rate in our loyalty program, engagement rate, level of Honors occupancy is working, right?

And so, there's a whole bunch of reasons for that. One, the luxury strategy is, I think, working. Two, what you have to remember is while people aspire to go to the Maldives and do all this things, that's not actually what they do with their behavior, right? What they do more than not is use it for the mundane things in life like going to New York City for the weekend with their husband or wife or going to Reading, Pennsylvania for a soccer tournament with their kids and using the points they earned traveling on business to satisfy their needs in their personal life. That is what they – if you look at the behavior.

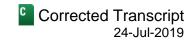
And so when you think about it, think about it this way, like we're not a startup. We have 6,000 hotels that people can redeem at in 115 countries around the globe, right? That can satisfy a lot of needs. We have 110 open or pipeline luxury. We have almost 200 great resorts around the world. If you look at upper end of upper upscale, with all respect to most of our competitors who would call that luxury and we don't, so take the upper end of the Hilton brand, that's probably another 150 or 200 hotels.

So in reality, out of the 6,000 hotels we have, 400 or 500 of them, sort of by broader categorization of sort of luxury and resort, would meet those needs in addition to the other 5,500 that meet most of their everyday needs. And so we're focused on luxury. We're making great progress. If you went and saw any of the newer luxury Waldorf's or Conrad's that have opened, I'd encourage it. I think you would be really impressed. But it is a broad sort of network effect that we are creating to allow loyalty members to get a great value proposition.

Luxury is part of it, but it is not all of it. And I would argue honestly, as reflected in our numbers, I would argue while it's important, it's a relatively small part of it in terms of the other parts of the ecosystem that help drive loyalty.

William A. Crow Analyst, Raymond James & Associates, Inc.	Q	
That's a thorough and a satisfying answer. So I appreciate it. I'll leave it there. Thanks, Chris.		
Christopher J. Nassetta President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.	A	
All right. We'll debate it offline.		
William A. Crow Analyst, Raymond James & Associates, Inc.	Q	
Yeah. You got it.		

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Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

All right.

Operator: Our next question comes from Jeff Donnelly with Wells Fargo. Please go ahead.

Jeffrey J. Donnelly

Analyst, Wells Fargo Securities LLC

I guess maybe two follow-ups, if I could; one, this one I guess, for Kevin, looking to 2020, how realistic is it to expect much growth in the \$1.5 billion to \$1.8 billion capital return?

And there's certainly incremental cash flow, but pipeline and RevPAR growth slowing a bit. I'm wondering how that shapes how you think about the structure of repurchase activity or capital return next year.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

Well, hey, look, Jeff, it's early. So I should probably do the responsible thing and say it's a little bit early to be giving sort of capital return guidance.

But if you think about it, I mean, Chris said it earlier in the call, our model is a lot less dependent on same-store sales growth today and much more pipeline dependent. Our pipeline growth, for the record, is not slowing. And we do not think our net unit growth is slowing.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Right.

Kevin J. Jacobs

Executive Vice President and Chief Financial Officer, Hilton Worldwide Holdings, Inc.

So thus, those hotels will enter the system. They'll pay fees. Our free cash flow, you ought to assume that our free cash flow will grow slightly. And we'll continue to re-leverage the business. And so, our capital available for return to shareholders ought to look very similar or slightly higher than it does this year.

Christopher J. Nassetta

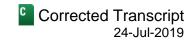
President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yeah I agree. Keeping in perspective, one technical thing and then a broader view, every point in same-store RevPAR assumption has the impact of being worth about \$10 million to \$12 million of free cash flow, so, in the end, it does not move the needle on that.

And I think on a broad-base, we've sort of covered this, but it's probably worth covering again to make sure we're abundantly clear. On return of capital, I would say, and share buyback, we've put it in three buckets.

One, free cash flow; you should assume that we're every year always on deploying our free cash flow to do our minor dividend, which we don't intend to increase, and then use all the rest of that to buy back stock. You should also assume as we continue to grow EBITDA with this resilient model, that in the normal everyday sort of approach will be to re-lever to sort of circa the midpoint of our 3% to 3.5% range.

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If you look at the financing transactions we just did, where it does take us for the year, 3.25%, shocking. And that gets us to the \$1.5 billion to \$1.8 billion. There's also an opportunity, which I've talked about, to potentially, for short periods of time, to lever the company up even more highly beyond that for a period of time and then delever and accelerate repurchases.

And what I would say is that's sort of the more opportunistic side of it. We did it a little bit with HNA, but that would be in an environment where we saw a major dislocation occur and we wanted to take advantage of that major dislocation.

So I think every day-in and day-out, you ought to think about our buyback like what we're doing this year. Use all our free cash flow and relever to a relatively conservative level and buy back stock.

Going beyond that, if there's a big dislocation, I think we would certainly consider. It's something we've talked about around our board table and would have to decide the time to lever up incrementally for a period of time, because the free cash flow obviously would allow you to lever down and to take advantage of dislocations in the market.

But it's sort of in those three buckets, two of which you're experiencing this year. The third of which, obviously, doesn't look likely.

Jeffrey J. Donnelly

Analyst, Wells Fargo Securities LLC

And, Chris, I don't want to beat a dead horse, but what's the path to getting to the top end of your 1% to 2% annual guidance in RevPAR? Because if you're facing tough comps internationally in the back half of the year and, like you said, assume steady U.S. growth, it just feels like the acceleration you would need in the second half of the year is just unlikely to kind of pull your first half of the year up that much, if you will.

Christopher J. Nassetta

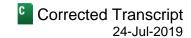
President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yeah. I mean, I think, as I always do, that we'll end up somewhere in the middle, right? I mean, we narrowed the range. We're usually a two point range. We narrowed it to one, because I think, who knows? You can't. You don't have a crystal ball. Reality is you should assume, as you always should, that the middle of the range is what we think will really happen. Could it get to 2%? I mean, we looked at scenarios where it could. Do I think it's likely? No. I mean, what would have to happen? The U.S. would have to pick up a little bit. You'd have to have the choppiness, particularly in business transient, sort of stabilize.

The group's going to perform, because it's mostly on the books. You'd have to sort of have the caution flags pulled back in in the U.S. Is that possible? Sure. You could get a trade deal done with China. People could feel a little bit better. People could start spending a little bit more traveling and so, it's not impossible. It is possible to get to the 2%. In our view, it was not really possible to get to the 3%, which is why we took it off the table. I think it is possible.

The other things that would contribute to it would be China. China, while it's not a huge part of our overall system, it was growing at a much, much higher level. So it going to flat or modestly down does have some impact. So if the U.S. stiffened up a little bit and people took a few caution flags in, China flipped around with a trade deal, could you be at 2%? Yes. Do I think we will? No. I think we'll be around 1.5%. That's why we gave a range and

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trying to tighten the range more than a point when we're halfway through the year, just to be honest, just didn't feel prudent.

Jeffrey J. Donnelly

Analyst, Wells Fargo Securities LLC

Great. Thanks guys.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Yes.

Operator: The next question will be from Smedes Rose of Citigroup. Please go ahead.

Smedes Rose

Analyst, Citigroup Global Markets, Inc.

Hi. Thank you. You've gotten to most of them, but I just want to ask you, you noted your strength and focus on the mid-market segment. And we continue to see Tru put up the outsized RevPAR gains relative to your other brands in that segment. And I'm just wondering. Do you think any of the growth there is coming at the expense of Hampton Inn or do you think it's more just the expansion of the footprint and the brand continuing to gain traction?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

No. I don't. I mean, you can't say that they don't compete in some markets at all, but it is really a different segment. It's how we designed it. We spent a lot of time on that and how we think about the go-to-market commercial strategies is to keep it in its swim lane. I think why Tru is gaining – and if you look at it, Hampton is gaining share, too. So Hampton is not – like you're not seeing Tru go up and Hampton go down. Hampton is gaining share. And Hampton's the highest average market share brand that we have. So it is both in absolute sense and a growth sense performing at an incredibly high level.

Why Tru, I think, is doing well is honestly just think about that segment. No offense to everybody else out there, the reason we launched Tru is because we didn't think anybody in that segment was doing it well. We didn't think that there was at scale a brand that delivered a good product, consistent, clean, with simple service delivery that resonated with customers. And I think what we're finding is we were right, right? The customers are flocking to Tru, because it's just a better, newer, cleaner product and what it's taking share from is folks in that competitive set.

Smedes Rose

Analyst, Citigroup Global Markets, Inc.

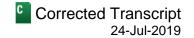
Okay, thanks. And then, Chris, when you just look back at prior cycles, let's say the U.S. economy does take a little bit more of a downshift, I mean, when developers are looking to access capital, do banks or lenders, are they more likely to require that the development be within a major brand system like your own? I mean, do you see relative gains within maybe the smaller overall development pipeline?

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

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There's no question that that's the case. Frankly, Smedes, I think we've been a huge beneficiary of that, even in the last two or three years as lending standards have tightened. I think we are — I mean, I know it's me pounding, patting myself and Hilton on the back, we are more financeable. Just go to talk a dozen lending institutions and ask them their view. Why? Because we drive system-wide better market share. We drive better profitability, easier to underwrite, less risky. We've been doing this 100 years. And so, yes, we are already taking an unfair share amount of development. In an environment that gets worse, I think our share numbers go up. They always have and I think they will as long as we continue to drive the market share premiums that we are.

Smedes Rose

Analyst, Citigroup Global Markets, Inc.

Okay. Thank you.

Operator: Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to Chris Nassetta for any closing remarks.

Christopher J. Nassetta

President, Chief Executive Officer & Director, Hilton Worldwide Holdings, Inc.

Thanks, everybody. As always, we appreciate you taking the time. We'll look forward to talking with you after the third quarter and hope everybody enjoys the rest of your summer and get some time to relax and be with friends and family. Take care.

Operator: Thank you, sir. The conference has now completed. Thank you for attending today's presentation. You may now disconnect.

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